

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 AGR-20 CEA-02

STR-08 DRC-01 /185 W

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R 080419Z AUG 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8494

INFO AMEMBASSY CANBERRA

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EO 11652: NA

TAGS: EFIN, ETRD, NZ

SUBJECT: GOVERNMENT ANNOUNCES RESTRAINTS ON EXPENDITURE

REF: WELLINGTON 2417

1. SUMMARY: IN THE FACE OF DETERIORATING BALANCE OF PAYMENTS GNZ ANNOUNCED CUTS IN SPENDING AND WARNED THAT OTHER SELECTIVE MEASURES AIMED AT REDUCING CONSUMPTION ESPECIALLY OF IMPORTS WOULD BE INTRODUCED IF NECESSARY. END SUMMARY.

2. ON AUGUST 7, MINISTER OF FINANCE ROWLING TOLD THE FIRST MEETING OF THE CABINET COMMITTEE ON POLICY AND PRIORITIES AND THE NATIONAL DEVELOPMENT COUNCIL SECTOR COUNCILS THAT THE GOVERNMENT WAS TAKING CERTAIN STEPS TO RESTRAIN GOVERNMENT EXPENDITURES. HE SAID CUTS ARE AIMED AT REDUCING NATIONAL EXPENDITURE TO AVAILABLE RESOURCES. THE MINISTER ALSO STRESSED THE NEED FOR RESTRAINT BY THE COMMUNITY AT LARGE IN ALL AREAS OF CURRENT EXPENDITURE.

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3. THE SPECIFIC MEASURES ADOPTED INCLUDE: (A) FREEZING

GOVERNMENT STAFF CEILINGS TO THEIR AUGUST 7 LEVEL EXCEPT FOR EXCEPTIONAL CIRCUMSTANCES.

(B) REDUCING OR DEFERRING GOVERNMENT COMPUTER PROGRAM EXTENSIONS. (COMMENT: THESE HAVE INVOLVED RAPIDLY INCREASING EXPENDITURES OF FOREIGN EXCHANGE).

(C) REDUCING BY 5 PERCENT THE ALLOCATIONS TO GOVERNMENT DEPARTMENTS OF FUNDS FOR FOREIGN AND DOMESTIC TRAVEL, MAINTENANCE AND OPERATIONS.

(D) REQUESTING THE NATIONAL ROADS BOARD TO "CONSIDER REDUCING" ITS NZ\$116,000,000 EXPENDITURE BY 5 PERCENT.

4. ALL GOVERNMENT EXPENDITURES ON PLANT AND EQUIPMENT ARE TO BE REVIEWED.

5. THE MINISTER ESTIMATES THE CUTS IN EXPENDITURE WILL TOTAL ABOUT \$NZ60 MILLION FOR THE YEAR. IT IS DESIGNED TO FREE MORE LABOR AND MATERIALS FOR THE PRIVATE SECTOR, ESPECIALLY WHERE THERE IS EXPORT POTENTIAL.

6. SELECTIVE RESTRAINTS ON CONSUMPTION ESPECIALLY OF ITEMS INVOLVING HIGH IMPORT CONTENT COULD BE ANNOUNCED LATER. COMMENT: THERE IS SOME SPECULATION WHETHER THESE MIGHT INCLUDE INCREASED TARIFFS AND TIGHTER CREDIT FOR "NON ESSENTIAL" IMPORTS.

7. THE MINISTER EXPRESSED BELIEF THESE MEASURES WOULD BRING SIGNIFICANT IMPROVEMENT IN THE BALANCE OF PAYMENTS BY NEXT YEAR "UNLESS THE ECONOMY FAILS TO ADJUST TO ITS CONSUMPTION PATTERN" OR IF THERE IS "A PROLONGED WORLD RECESSION WITH FURTHER ADVERSE EFFECTS ON OUR EXPORT PRICES".

8. LEADER OF THE OPPOSITION ROBERT MULDOON HAS BRANDED THE GOVERNMENT'S MEASURES AS A "MINI BUDGET" AND PREDICTED ANOTHER WOULD SOON FOLLOW. OPPOSITION MEMBERS PREDICTED IMPORT LICENSE RESTRICTION WOULD BE NEXT.

9. THE MINISTER ACKNOWLEDGED THAT THE CURRENT ACCOUNT LIMITED OFFICIAL USE

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DEFICIT IS A SERIOUS PROBLEM. HE SAID THE BALANCE OF PAYMENTS ADJUSTMENT REQUIREMENT IN THE SHORT TERM IS TO REDUCE AN ANTICIPATED DEFICIT OF "SOMETHING IN EXCESS OF \$NZ500 MILLION IN THE NEXT JUNE YEAR TO SOMEWHERE IN THE VICINITY OF, SAY, \$NZ300 MILLION". HE STATED THERE WAS NO NEED FOR PANIC MEASURES.

10. COMMENT: IT WOULD APPEAR THAT THE MEASURES

ANNOUNCED ARE MORE AMELIORATIVE THAN CURATIVE. THEY WILL  
HELP BUT BY THEMSELVES ARE NOT SUFFICIENT. THE  
ALLUSION TO "FURTHER SELECTIVE ACTION AS NECESSARY"  
SEEMS QUITE CLEARLY TO INDICATE MORE IS TO COME. IT  
SEEMS REASONABLE THAT THE MEASURES MAY LIKELY COME  
CLOSER TO ACTION AIMED AT REDUCING IMPORTS, ESPECIALLY  
THOSE REGARDED AS NON-ESSENTIAL. IMPORTS WHICH HAVE  
THE PURPOSE OF UPGRADING INDUSTRIAL PRODUCTIVITY,  
ESPECIALLY OF INDUSTRIES WHERE THERE IS GROWTH  
POTENTIAL AND/OR WHICH ARE ORIENTED TOWARD EXPORT  
SHOULD CONTINUE TO FAIR REASONABLY WELL UNLESS NZ'S EXPORT  
EARNINGS DROP CONSIDERABLY MORE.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, MARKETS, FOREIGN EXCHANGE HOLDINGS, PRICES, GOVERNMENT EXPENDITURES, BALANCE OF PAYMENTS, IMPORT CONTROLS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** cunninfx  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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